

Larry Sagarin

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<p>1 Sagarin 94</p> <p>2 Q Just because of lack of operating</p> <p>3 capital?</p> <p>4 A Lack of operating capital due to the</p> <p>5 fact of this lawsuit and I'm actually very</p> <p>6 nervous, too. God forbid I lost this lawsuit,</p> <p>7 why, I would have to go out of business. I'd</p> <p>8 fold.</p> <p>9 Q You also authorized your counsel to file</p> <p>10 a lawsuit against Designer Skin, as well,</p> <p>11 correct?</p> <p>12 A Correct.</p> <p>13 Q And that was in October of last year?</p> <p>14 A If you say that.</p> <p>15 Q October, November?</p> <p>16 A If that's what you say, that's fine.</p> <p>17 Q I don't want to --</p> <p>18 A I'll take your word for it.</p> <p>19 Q I'm not going to put words in your</p> <p>20 mouth. That's not my job. I've got a copy,</p> <p>21 actually, of the complaint. It says, November 1,</p> <p>22 '05. Does that sound about right? I'll show it</p> <p>23 to you.</p> <p>24 A Yes.</p> <p>25 Q Would it be fair to say that filing the</p>	<p>1 Sagarin 96</p> <p>2 Is this the letter that you were</p> <p>3 referring to earlier in your deposition that you</p> <p>4 received shortly after you began selling the</p> <p>5 tanning lotions on the Internet?</p> <p>6 A It appears to be a letter from Ice</p> <p>7 Miller. I don't know if it is the exact letter</p> <p>8 that I received, but it appears to be a letter</p> <p>9 from Ice Miller that tells me to stop selling</p> <p>10 tanning lotion.</p> <p>11 Q Did you share that January 15, 2004</p> <p>12 letter with Mr. Mercadante?</p> <p>13 A I think he shared it with me.</p> <p>14 Q Did you and Mr. Mercadante jointly</p> <p>15 decide how to respond to this letter or address</p> <p>16 this situation?</p> <p>17 A He more or less put it, you know, we</p> <p>18 made the decision together, yes. But ultimately,</p> <p>19 I make the decision.</p> <p>20 Q Why is that, why did you ultimately make</p> <p>21 the decision? Do you have a better feel for</p> <p>22 business?</p> <p>23 A Possibly.</p> <p>24 Q Or things like --</p> <p>25 A More experience.</p>
<p>1 Sagarin 95</p> <p>2 Designer Skin lawsuit has also caused additional</p> <p>3 financial burdens upon your company?</p> <p>4 A Yes. I'm also aware that your clients</p> <p>5 are on a first-name basis with the CEO of</p> <p>6 Designer Skin and they talk on a regular basis,</p> <p>7 based on my lawsuit, yes.</p> <p>8 Q Well, that's news to me. They do know</p> <p>9 his name, but they certainly --</p> <p>10 A I have e-mails documenting that, that</p> <p>11 they talk, from Mr. Grossman, telling me that he</p> <p>12 has the ability to call Australian Gold and tell</p> <p>13 them to cool the jets, quote, unquote.</p> <p>14 MR. MATTHEWS: Let's go off the record.</p> <p>15 (A discussion was held off the record.)</p> <p>16 Q Any other economic harm that you contend</p> <p>17 that S&L Vitamins has sustained as a result of</p> <p>18 Australian Gold's conduct?</p> <p>19 A No, not that I can think of now.</p> <p>20 Q If you look at the first exhibit, look</p> <p>21 back at Exhibit 18. I want you to look at the</p> <p>22 letter that's attached to the back of the</p> <p>23 complaint, right after Mr. Coleman's signature.</p> <p>24 It's from Ice Miller. Actually, it's from me to</p> <p>25 Body Source.</p>	<p>1 Sagarin 97</p> <p>2 Q The very last letter is a February 22,</p> <p>3 2005 letter from Australian Gold, again,</p> <p>4 addressed to Body Source. Did you receive a copy</p> <p>5 of this letter?</p> <p>6 A I'm assuming so, yes.</p> <p>7 Q Did you call Australian Gold in response</p> <p>8 to the letter or have any further communications</p> <p>9 with Australian Gold?</p> <p>10 A I was in California when this letter</p> <p>11 came in. I don't remember specifically.</p> <p>12 Q You were involved in the California</p> <p>13 lawsuit?</p> <p>14 A Yes.</p> <p>15 Q Was that your deposition?</p> <p>16 A Yes.</p> <p>17 Q What did S&L Vitamins do in response to</p> <p>18 receiving this letter?</p> <p>19 A It looks like we faxed it somewhere, I</p> <p>20 would hope to Mr. Coleman's office.</p> <p>21 Q It says on the last paragraph, if you'd</p> <p>22 like to resolve this matter, you may contact me</p> <p>23 directly to discuss an amicable resolution.</p> <p>24 Did you contact Leslie Hartley after you</p> <p>25 received this letter?</p>

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1	Sagarin	98	1	Sagarin	100
2	A	No. But I believe that she contacted	2	A	Yes.
3	us.		3	Q	What was said in that call?
4	Q	When was that?	4	A	How can we end this amicably? He said,
5	A	It was a phone call. I don't know	5		stop selling Australian Gold. I said, no. And
6		specifics. After this letter was sent, almost	6		that was it. And literally, that was it.
7		immediately.	7	Q	Did he yell at you in that call?
8	Q	Did you talk with her?	8	A	No.
9	A	No.	9	Q	Did you yell at him?
10	Q	Did anyone at S&L Vitamins talk with	10	A	Not at all, no.
11	her?		11	Q	So it was just a difference of business
12	A	She talked to Michael Nierman and Trevor	12		philosophies, you agreed to disagree, I guess?
13		Gray, yelled at Michael Nierman and screamed	13	A	That's why we're here.
14		actually, on the phone.	14	Q	Do you know what S&L Vitamins's sales
15	Q	So let me understand this. Trevor Gray,	15		were for 2005?
16		Leslie Hartley and Michael Nierman were on the	16	A	Look at the last report that you gave
17		phone?	17		me, I think it's 1-1/2.
18	A	Michael Nierman picked up the phone.	18	Q	Well, that report was ended September
19		Leslie began to speak. And then I believe, it	19		30, 2005. So I don't know what period that's
20		sounded like, from the way Michael Nierman	20		from.
21		described it to me, that Trevor removed the phone	21	A	So then I don't know.
22		from Leslie's hand and took over the conversation	22	Q	Your 2004 tax return, Exhibit 5, showed
23		quite heatedly.	23		gross sales in excess of \$1.4 million; do you
24	Q	Was anybody else besides Mr. Nierman on	24		know if your business has grown since then?
25		that phone conversation on your end?	25	A	I think it's gone down a little bit; I

1	Sagarin	99	1	Sagarin	101
2	A	No.	2	think.	
3	Q	What did Mr. Nierman tell you was said	3	Q	How much, do you have any idea?
4		during that conversation?	4	A	No, I don't. More competition, Ice
5	A	I don't remember other than the fact	5		Miller's got to get those letters out quicker.
6		that he told me basically that it was just heated	6	Q	That's one thing we'll try to help you
7		and that it didn't last long because he wouldn't	7		on.
8		tolerate being yelled at.	8	A	I appreciate that. Part of the reason I
9	Q	And was no one else at the store at the	9		I'm in this is because I know how efficient you
10		time the phone call was made?	10		guys are.
11	A	I wasn't there.	11		MR. MATTHEWS: Off the record.
12	Q	Was Mr. Mercadante there?	12		(A discussion was held off the record.)
13	A	I don't know. I wasn't there.	13	Q	I'm going to hand you deposition Exhibit
14	Q	Do you know if Mr. Nierman told Trevor	14		8. This was another document that we attached to
15		Gray that he might not be the person that --	15		our complaint. And this was, at least a portion
16	A	Yes, he did. I believe that was part of	16		of your website on April 25, 2005.
17		what he said, now that you refreshed my memory,	17		I want to draw your attention to the
18		yes. Yes.	18		right-hand corner where it says, sponsor results.
19	Q	Did you call Mr. Gray or Ms. Hartley	19		And under it, it says, buy discount tanning
20		back?	20		lotions here, Australian Gold, Swedish Beauty, et
21	A	I called Mr. Gray back a few months	21		cetera.
22		later.	22	A	Yes.
23	Q	Was that before or after the lawsuit?	23	Q	Is that your website there?
24	A	I think it's after.	24	A	It appears to be, yes.
25	Q	You initiated that call to Mr. Gray?	25	Q	What did S&L Vitamins do to be a

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1	Sagarin	102	1	Sagarin	104
2	sponsored result?		2	tanning-related, your website is going to pop up	
3	A We had to pay for that placement.		3	there at the top of the list or near it almost	
4	Q How do you go about doing that?		4	every time?	
5	A We set up an account with -- if this is		5	A It is an attempt to, to solicit business	
6	a Yahoo listing, we would set up an account with		6	from the customers as an advertisement.	
7	OVERTURE.COM.		7	Q Are you continuing to use pay for	
8	Q What words did you pay for placement?		8	placement advertising on the Internet?	
9	A In this particular one, it appears to be		9	A As little as possible.	
10	Australian Gold.		10	Q Is that because of the cost?	
11	Q Let me show you what's been marked as		11	A Absolutely, yes.	
12	Exhibit 9. Did also pay for placement for		12	Q What is the cost for pay for placement	
13	Swedish Beauty?		13	advertising range?	
14	A Yes, probably. They pick up on it. I		14	A A nickel to \$5 per click.	
15	don't know exactly how Overture works, but I		15	Q So if there are enough bidders for,	
16	would assume that I did.		16	let's say, Australian Gold, you have to outbid	
17	Q My understanding of overture is that you		17	your competition on a per click basis and you may	
18	have to tell it what words you want it to bid on;		18	pay, not say in this case, but you may pay up to	
19	is that your understanding?		19	\$5 per click for a certain phrase; is that	
20	A You're accurate in saying that, but		20	correct?	
21	sometimes it picks up on stuff that is -- even if		21	A That's correct, yes.	
22	it's in the word. I mean, if someone typed in		22	Q What did S&L Vitamins, what does it	
23	tan, T-A-N, my ad might come up.		23	typically spend on pay for placement advertising?	
24	Now, that's usually how it works, so		24	A This time of year, again because it is	
25	that sometimes -- but I probably paid for Swedish		25	the supplement season and it is the tanning	

1	Sagarin	103	1	Sagarin	105
2	Beauty here, yes.		2	season, it tends to be more people are on looking	
3	Q My understanding is also that on the pay		3	for those type of products. I think I submitted	
4	for placement, you can guarantee yourself a spot		4	you guys a statement we spent \$50,000 in 1 year,	
5	in the top of that. In other words --		5	\$48,000.	
6	A I agree.		6	Q Per year?	
7	Q -- the sponsor results you want to be in		7	A Per year.	
8	the top three, you can do that if you're willing		8	Q Is that other than rent, is that your	
9	to pay enough money; do you agree with that?		9	biggest expense?	
10	A Yes. If you're willing to pay enough		10	A Yes. It's a horrible expense, but, yes.	
11	money.		11	Q Is it a necessary evil to make sure you	
12	Q Other than Australian Gold, Swedish		12	survive on the Internet?	
13	Beauty, did you use any other brand names in		13	A In the beginning it was. We're trying	
14	Yahoo to pay for placement at any time?		14	to get away from it because we have a customer	
15	A Yes.		15	base.	
16	Q What were they?		16	Q Today as we sit here, are you continuing	
17	A Many. Too many to --		17	to use pay for placement in your business?	
18	Q Let's use lotions.		18	A Yes.	
19	Lotions, I think I probably used		19	Q Are you still bidding on the word	
20	California Tan. I used Designer Skin. I used		20	Australian Gold?	
21	Supre. I used tanning lotion as a term. I used		21	A I believe so, yes.	
22	tanning bed lotion as a term, indoor tanning		22	Q Are you still paying for placement for	
23	lotion as a term.		23	the words Swedish Beauty?	
24	Q Is the point to use all those names to		24	A I believe so, yes. I do sell those	
25	make sure that if a consumer is typing anything		25	products.	

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1	Sagarin	106	1	Sagarin	108
2	Q	I know. Are you still using California	2	Q	Are there tools that will tell you how
3	Tan?		3		much traffic you're getting on your website
4	A	No.	4		because of your pay for placement advertising?
5	Q	Is that still through Overture or has	5	A	I do believe that Google and/or Overture
6		that changed? Are you with a different company	6		do keep track of those for me.
7		now, do you know, or does that all go through	7	Q	Have you seen statistics showing what
8		Yahoo?	8		percentage of your Internet traffic is generated
9	A	Overture is a Yahoo company and vice	9		from the pay per click?
10		versa. We do use Google Add Words also.	10	A	Yes.
11	Q	Is Google Add Words a similarly	11	Q	What were those statistics?
12		placed --	12	A	I don't know.
13	A	Nearly identical.	13	Q	Do you have a ballpark?
14	Q	Just so I'm clear, the Google Add Words	14	A	Percentagewise?
15		is a different service than the overture services	15	Q	Yes.
16		provided by Yahoo?	16	A	10 percent, not a lot.
17	A	It's a different company. Same service,	17	Q	How recent was that?
18		different company.	18	A	I check it once a week. I compare it
19	Q	Do you know what search engines Google	19		against the traffic that my website tells me that
20		applies for?	20		I had. I try to figure if it's beneficial to
21	A	No.	21		continue to do that, that's how I figure it out.
22	Q	I know overture at one point applied to	22	Q	Right. As I said, that's a pretty
23		a variety of search engines?	23		important statistic, I would say; if you want to
24	A	I believe Google does also.	24		continue with expensive advertising, you probably
25	Q	You have to have both to make sure	25		need to know if it's effective.

1	Sagarin	107	1	Sagarin	109
2		you're covered?	2		So is most of your -- is there something
3	A	Do I have to, no.	3		called spidering on the Internet?
4	Q	I know you don't have to do anything,	4	A	I think so, yes, absolutely. I think
5		but if you want to make sure you're covering the	5		spidering is what the website -- excuse me, what
6		Internet with respect to the content and what	6		the search engine picks up on.
7		you're selling on your website, is it a good	7	Q	It looks at content of the website?
8		business decision to use both Google and	8	A	Correct.
9		Overture?	9	Q	What has S&L Vitamins done as far as the
10	A	I believe it is a good business decision	10		content of its website to increase its exposure
11		to use Google and Overture, yes.	11		on the Internet?
12	Q	Are you paying per click on Australian	12	A	We've recently employed a firm by the
13		Gold on Google?	13		name of RFI Media to help us with that. It seems
14	A	Yes, I think so.	14		that we didn't have any content up until 2005 or
15	Q	I haven't asked you about Caribbean	15		the end of 2005. And he helped us add content to
16		Gold. Are you paying for that word?	16		the site.
17	A	No.	17		Content, in my understanding, is just
18	Q	Why not, not as popular?	18		explaining the products that you're selling.
19	A	It's not as popular. It just doesn't	19		Search engines like websites with content, not
20		sell. It's not worth it. I can tell -- it	20		strictly sales.
21		doesn't generate clicks.	21		They like to be informative to the
22	Q	Do you keep track of what percentage of	22		consumer, as well as sales-oriented, but not just
23		visits to your website are through a pay for	23		sales-oriented. So they'll give preferential
24		placement lead?	24		treatment. It's a formula that I do not
25	A	No.	25		understand, but I think that's how it works.

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<p>1 Sagarin 110</p> <p>2 Q So your understanding is if you just</p> <p>3 show the product up there, that's not as good as</p> <p>4 showing the product and giving some information</p> <p>5 to the consumer along with the product?</p> <p>6 A That's my understanding.</p> <p>7 Q And RFI has been engaged to better</p> <p>8 identify search results; is that the ultimate</p> <p>9 goal?</p> <p>10 A That sounds correct.</p> <p>11 Q Is RFI doing anything else for S&L</p> <p>12 Vitamins?</p> <p>13 A No.</p> <p>14 Q Have all the changes been made to the</p> <p>15 website that RFI has requested or proposed?</p> <p>16 A RFI is on retainer monthly. So changes</p> <p>17 are ongoing.</p> <p>18 Q With respect to tanning lotions, what</p> <p>19 substantive changes were made to your website?</p> <p>20 A I don't know. He does know we're in</p> <p>21 litigation and I told him specifically to not do</p> <p>22 anything to jeopardize any legal issues, please</p> <p>23 do not play any games with the tanning lotion end</p> <p>24 of it, please.</p> <p>25 Q Here is Exhibit 11. This is another</p>	<p>1 Sagarin 112</p> <p>2 A No.</p> <p>3 Q So that was something just selected by</p> <p>4 RFI?</p> <p>5 A I had to approve it.</p> <p>6 Q Right. But they write it up, send it to</p> <p>7 you?</p> <p>8 A Yes.</p> <p>9 Q And you tell them, yes, this is good or</p> <p>10 make revisions?</p> <p>11 A Yes.</p> <p>12 Q Did you change anything that RFI sent to</p> <p>13 you with respect to this information on Exhibit</p> <p>14 11?</p> <p>15 A I don't read it on a daily basis. He</p> <p>16 does have access to the website. Possibly he</p> <p>17 could have changed a word or two. I don't know.</p> <p>18 Q But I guess my question was, do you</p> <p>19 remember anything that they sent to you and you</p> <p>20 said, no, this is unacceptable, change this</p> <p>21 language, remove it?</p> <p>22 A No.</p> <p>23 Q Did you enter into a contract with</p> <p>24 Google for their pay per click services?</p> <p>25 A Possibly. I don't -- agree to the</p>
<p>1 Sagarin 111</p> <p>2 portion of your Body Source website or actually,</p> <p>3 this is from the THESUPPLENET.COM and for the</p> <p>4 record, it's Exhibit 11. If you look at page 4</p> <p>5 of 5 --</p> <p>6 A Okay.</p> <p>7 Q There's a paragraph there below the</p> <p>8 products that secretary be a smart tanner, the</p> <p>9 other one says, different lotions for different</p> <p>10 tans. Was this content added at the suggestion</p> <p>11 of RFI?</p> <p>12 A Yes.</p> <p>13 Q What was the primary purpose of adding</p> <p>14 the content?</p> <p>15 A He thought that by adding content in an</p> <p>16 information-type of manner, would give us better</p> <p>17 positions on the search engines.</p> <p>18 Q The information in here, who provided</p> <p>19 that to RFI?</p> <p>20 A I sent RFI a stack of trade magazines</p> <p>21 and I told him to be original in his content. Do</p> <p>22 not take anybody's content and write original</p> <p>23 sentences for which you're putting in my thing.</p> <p>24 That's exactly what I told him.</p> <p>25 Q Did you tell him what to put in?</p>	<p>1 Sagarin 113</p> <p>2 terms, check here.</p> <p>3 Q So it would have been online?</p> <p>4 A Correct. They don't agree to the terms,</p> <p>5 they don't do business.</p> <p>6 Q Do you know if you have any documents</p> <p>7 regarding your pay for placement advertising to</p> <p>8 Google?</p> <p>9 A I think I submitted them to you, either</p> <p>10 the records or amounts and things like that.</p> <p>11 Q I saw some things on amounts. I didn't</p> <p>12 know there were any contracts or agreements.</p> <p>13 A No. I don't know if there are any. I'd</p> <p>14 be more than happy to get them if there are any.</p> <p>15 Q We've handed you Exhibit 10 and this is</p> <p>16 another printout from your website. I'll ask</p> <p>17 another question about 10.</p> <p>18 I was going to ask you about these</p> <p>19 photographs, but I'll get a better copy. Let me</p> <p>20 ask you a question about your pricing again, go</p> <p>21 back on that.</p> <p>22 I believe Mr. Mercadante told me that</p> <p>23 you get about 45 percent off the salon costs from</p> <p>24 your --</p> <p>25 A My vendors do. My vendors get 45, 40,</p>

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<p>1 Sagarin 114</p> <p>2 35 some people. And I give them -- I multiply it</p> <p>3 times 1.2 and that's what I pay.</p> <p>4 Q Generally speaking, look at the Crystal,</p> <p>5 it's easy because it's \$100 retail. What is the</p> <p>6 salon cost for \$100 bottle of Crystal, do you</p> <p>7 know that?</p> <p>8 A \$50.</p> <p>9 Q And how do you know that?</p> <p>10 A It's usually 50 percent, half.</p> <p>11 Q So it's just known in the industry or is</p> <p>12 that something you were told by someone?</p> <p>13 A Every catalog I've ever seen, that's</p> <p>14 what it's been.</p> <p>15 Q Is that true across the board for all</p> <p>16 tanning lotion manufacturers or is that just</p> <p>17 unique to Australian Gold, Swedish Beauty?</p> <p>18 A No, that's unique to Australian Gold and</p> <p>19 Swedish Beauty. I don't do business with every</p> <p>20 tanning manufacturer, so I don't know.</p> <p>21 Q Your distributor gets 45 percent off</p> <p>22 salon costs or up to 45 percent off salon costs?</p> <p>23 A 45 is the most I've ever seen.</p> <p>24 Q Whatever he pays for it, you multiply</p> <p>25 that by usually 1.2?</p>	<p>1 Sagarin 116</p> <p>2 Q Did you ever get a product where there's</p> <p>3 a sample packet attached to a bottle of lotion?</p> <p>4 A Yes.</p> <p>5 Q What do you do with the packet if that's</p> <p>6 attached to the bottle of the lotion?</p> <p>7 A Keep it attached, send it to the</p> <p>8 customer.</p> <p>9 Q If you look at page 2 of search on</p> <p>10 Exhibit 10, on the right hand, there's your logo,</p> <p>11 it says the Body Source. And the right hand of</p> <p>12 that logo next to the man and woman pictured</p> <p>13 there, there's an upside-down triangle with the</p> <p>14 word Body Source and another little design there.</p> <p>15 Who designed that logo?</p> <p>16 A I don't know. About 12 years ago, a</p> <p>17 person named Mike.</p> <p>18 Q Was it designed for Helen Sagarin's Body</p> <p>19 Source?</p> <p>20 A Yes.</p> <p>21 Q Does she also use that logo at her Body</p> <p>22 Source store?</p> <p>23 A Yes.</p> <p>24 Q Did the other Body Source stores that</p> <p>25 were in existence over time, also use the same</p>
<p>1 Sagarin 115</p> <p>2 A 1.2 unless somebody is prepaying up.</p> <p>3 Q And then that's 1.1?</p> <p>4 A Right.</p> <p>5 Q Is that formula used in the same manner</p> <p>6 with all Australian Gold products, that</p> <p>7 calculation and scenario we just did for Crystal,</p> <p>8 is that true with respect to all Australian Gold</p> <p>9 products?</p> <p>10 A I don't understand, the 1.2 thing?</p> <p>11 Q Yes. Just kind of the way the salon</p> <p>12 costs works, the discount that the distributors</p> <p>13 get and your markup?</p> <p>14 A It seems to.</p> <p>15 Q You're showing Golden Bronze Glaze</p> <p>16 packets. That's actually one of the products</p> <p>17 shown here on the same page. How do you order</p> <p>18 your packets?</p> <p>19 A The same way I order everything else.</p> <p>20 Q Can you order those separately?</p> <p>21 A I don't understand separately. I</p> <p>22 mean --</p> <p>23 Q Do distributors offer packets for sale?</p> <p>24 MR. COLEMAN: Object to the form.</p> <p>25 A My vendors I purchase from sell packets.</p>	<p>1 Sagarin 117</p> <p>2 logo?</p> <p>3 A Yes.</p> <p>4 Q You have Exhibit 13 in front of you.</p> <p>5 This is a portion of your website showing the</p> <p>6 sale of Australian Gold Body Kisses.</p> <p>7 Really, I think the only question I have</p> <p>8 on this is the last page, which is the blowup of</p> <p>9 the product, the large-sized image. Who took</p> <p>10 this picture?</p> <p>11 A Either Helen Sagarin or Elizabeth</p> <p>12 Sagarin.</p> <p>13 Q Who put the BODYSOURCEONLINE.COM banner</p> <p>14 across the top and then the upside down triangle</p> <p>15 logo on top of this photograph?</p> <p>16 A Either Elizabeth Sagarin or Helen</p> <p>17 Sagarin.</p> <p>18 Q If you compare that with, I think it was</p> <p>19 Exhibit 6, originally, you did not have the Body</p> <p>20 Source logo or that banner on there?</p> <p>21 A Correct.</p> <p>22 Q What prompted you to put Body Source on</p> <p>23 these images of the products?</p> <p>24 A Picture theft.</p> <p>25 Q Was S&L Vitamins a victim of picture</p>

30 (Pages 114 to 117)

<p>1 Sagarin 118</p> <p>2 theft?</p> <p>3 A Yes. I believe to be. I couldn't prove</p> <p>4 it, but I believe --</p> <p>5 Q What led you to believe that?</p> <p>6 A Other websites with our pictures on it</p> <p>7 selling Australian Gold.</p> <p>8 Q What websites do you remember?</p> <p>9 A I believe it was</p> <p>10 WORLDCLASSNUTRITION.COM. The person copied my</p> <p>11 entire website, not just Australian Gold.</p> <p>12 Q Who is that person?</p> <p>13 A I have no clue.</p> <p>14 Q Have you ever spoken with anybody at</p> <p>15 WORLDCLASSNUTRITION.COM?</p> <p>16 A Never.</p> <p>17 Q What does it mean when it says all</p> <p>18 rights reserved at the bottom of the photograph?</p> <p>19 A Please don't steal my photograph.</p> <p>20 Q Why aren't you an officer of S&L</p> <p>21 Vitamins?</p> <p>22 A No reason. There's no reason to be.</p> <p>23 Q Is there no reason not to be? You know</p> <p>24 a lot about the business. I mean, you know much</p> <p>25 if not more than Mr. Mercadante, so why aren't</p>	<p>1 Sagarin 120</p> <p>2 hard drive that you've received?</p> <p>3 A Not that I know of.</p> <p>4 Q At any time?</p> <p>5 A Not that I know of.</p> <p>6 Q Do you know where the photographs are,</p> <p>7 the images that were displayed on your website in</p> <p>8 2004 as evidenced by Exhibit 6? It was the</p> <p>9 photographs that were on the website.</p> <p>10 A I understand. No, I don't know where</p> <p>11 they are. If I had them, I would give them to</p> <p>12 you.</p> <p>13 Q Do you know if Helen Sagarin or</p> <p>14 Elizabeth Sagarin have saved a copy of any of the</p> <p>15 photographs that I have taken for you?</p> <p>16 A I asked them when the discovery issue</p> <p>17 came up when you requested the photographs in</p> <p>18 discovery and we produced all the photographs</p> <p>19 that they could produce to me, which was the</p> <p>20 disk.</p> <p>21 Q Have you looked on your computer, your</p> <p>22 hard drive --</p> <p>23 A Yes.</p> <p>24 Q -- to see if they're still there?</p> <p>25 A I think Steven did and I don't know what</p>
<p>1 Sagarin 119</p> <p>2 you vice president or one of those titles?</p> <p>3 A Titles don't impress me. The</p> <p>4 relationship works fine just the way it is.</p> <p>5 Q You produced some images to me, I don't</p> <p>6 have them all here on the disk of your products.</p> <p>7 Are they given to you in a disk format by Helen</p> <p>8 Sagarin or Elizabeth Sagarin and then you take</p> <p>9 them and download them on your computer?</p> <p>10 A No.</p> <p>11 Q How are they sent to you by --</p> <p>12 A E-mail.</p> <p>13 Q What kind of file are they?</p> <p>14 A I don't know.</p> <p>15 Q Just something that opens up as a</p> <p>16 picture?</p> <p>17 A It just pops up on the bottom.</p> <p>18 Q How do you take it from receiving it in</p> <p>19 the e-mail from Helen or Elizabeth Sagarin and</p> <p>20 get that onto your website?</p> <p>21 A Put it into the Yahoo store editor. It</p> <p>22 gets saved in, I believe it gets saved into my</p> <p>23 pictures. And then gets placed on the Yahoo</p> <p>24 store website and that's it.</p> <p>25 Q Have you deleted any pictures from your</p>	<p>1 Sagarin 121</p> <p>2 happened.</p> <p>3 Q They're not on the computer?</p> <p>4 A If Steven looked for them and said they</p> <p>5 weren't on the computer, then they're not on the</p> <p>6 computer. Steven would look for them.</p> <p>7 Q You didn't personally?</p> <p>8 A No, I did not.</p> <p>9 Q So I can assume then that everything you</p> <p>10 gave me in discovery or your attorney gave me in</p> <p>11 discovery is the only thing that exists with</p> <p>12 respect to photographs?</p> <p>13 A That's correct.</p> <p>14 Q Have you ever been to any training</p> <p>15 offered by any manufacturer or association</p> <p>16 related to the indoor tanning industry?</p> <p>17 A No.</p> <p>18 Q I'm going to hand you Exhibit 12.</p> <p>19 Again, this is a portion of the THESUPPLENET.COM</p> <p>20 website. I want to draw your attention on page 2</p> <p>21 of 2 to the tanning lotion disclaimer next to the</p> <p>22 American flag. First of all, what does the</p> <p>23 American flag represent?</p> <p>24 A It looks nice.</p> <p>25 Q Anything else?</p>

31 (Pages 118 to 121)

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1	Sagarin	122	1	Sagarin	124
2	A	No.	2	A	In part, it would be false. The
3	Q	Oh, come on. Did you decide to put the	3		manufacturers that allow me to sell the products
4		American flag next to the tanning lotion	4		on the website do not mind that it's there.
5		disclaimer?	5	Q	Have you talked to the manufacturers who
6	MR. COLEMAN:	It stands for justice,	6		let you sell the product about this tanning
7		damn it.	7		lotion disclaimer?
8	MR. MATTHEWS:	Thank you.	8	A	I don't believe so, but I might have.
9	A	Yes.	9		They are familiar with my website. And if they
10	Q	Seriously though, who authored this	10		are familiar with my website, they will know I
11		disclaimer?	11		posted it on every page and therefore probably
12	A	I did. And my representation did,	12		received it and not objected to it.
13		counsel.	13	Q	I guess first sentence when it says,
14	Q	Did you look at any other websites to	14		that's not associated with or affiliated with nor
15		see what disclaimers other websites might have	15		do we represent any manufacturer, distributor or
16		had?	16		tanning products on our website, that would be
17	A	That sold tanning lotion?	17		false in part to the extent that you do, I guess,
18	Q	Yes.	18		have an affiliation with these manufacturers in
19	A	Yes.	19		the sense that you buy directly with them; would
20	Q	What websites did you look at?	20		you agree with that?
21	A	I don't remember. They seem to all have	21	MR. COLEMAN:	I'll object to the form.
22		it on there, though.	22	A	Am I going to answer? I'm sorry.
23	Q	They seem to have all similar language.	23	Q	Let me rephrase the question. Is that
24		Did you copy any language out of this?	24		first full sentence there correct?
25	A	Like I said, I wrote it addressed to my	25	A	Body Source is an independent

1	Sagarin	123	1	Sagarin	125
2		counsel.	2		distributor.
3	Q	It says, the product names used in this	3	Q	There's a period. The second sentence,
4		website are for identification purposes only.	4		sorry, BODYSOURCEONLINE.COM is not associated
5		What does that mean?	5		with, affiliated with, nor do we represent any
6	A	To identify the product that was being	6		manufacturer or any distributor of any tanning
7		sold.	7		products displayed on its websites?
8	Q	Now, the Australian Gold name and	8	A	How would I say that it's true? Because
9		Swedish Beauty name for your pay per click	9		the fact of the matter is, that it is true. And
10		services is used to generate traffic to your	10		I believe that the manufacturers that we do
11		website, correct?	11		business with directly, out of sight, out of
12	A	And also to identify the products that	12		mind-type of policy.
13		we sell on the website.	13		Don't like their products to be sold on
14	Q	Why did you put in there Body Source is	14		the Internet, but don't really care. So
15		not approved or authorized by any manufacturer or	15		disconnect affiliation with anybody.
16		distributor to sell any of the tanning products	16	Q	Are these other manufacturers, is their
17		displayed on this website?	17		goal to try to sell just as much product as they
18	A	It bunches them. It puts them in a big	18		can to get market share?
19		bunch. It covers the whole gamut.	19	A	Usually that's what people like.
20	Q	But that statement is not true, is it?	20	Q	They turn a blind eye to what you're
21	A	Some manufacturers do authorize me to	21		doing with it, as long as you're selling them a
22		sell on the Internet, correct.	22		lot?
23	Q	So this statement would be false?	23	A	I don't know why you would turn a blind
24	A	Not completely.	24		eye to what I'm doing because I'm not doing
25	Q	But in part it would be false?	25		anything wrong, but that's just my opinion.

32 (Pages 122 to 125)

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<p>1 Sagarin 126</p> <p>2 Q Is there any Australian Gold product</p> <p>3 that S&L Vitamins does not carry?</p> <p>4 A I don't know. I believe I carry the</p> <p>5 whole line. If not, you could tell me and I'll</p> <p>6 carry it.</p> <p>7 Q Is there any Swedish Beauty product that</p> <p>8 S&L Vitamins does not carry to its knowledge?</p> <p>9 A To its knowledge, no.</p> <p>10 Q With respect to Caribbean Gold, you</p> <p>11 carry the complete line of Caribbean Gold?</p> <p>12 A What's available to me through my</p> <p>13 vendors, yes.</p> <p>14 Q I put Exhibit 16 and 17 in front of you.</p> <p>15 And this is a printout from a portion of</p> <p>16 Overture's website. And were searching for the</p> <p>17 word or the term on Exhibit 16, Swedish Beauty.</p> <p>18 Have you seen this portion of the</p> <p>19 Overture website before or something similar to</p> <p>20 that?</p> <p>21 A Yes.</p> <p>22 Q Just so we're clear on how this works,</p> <p>23 you type in Swedish Beauty and number 4, the</p> <p>24 THESUPPLENET.COM is listed as number 4. Do you</p> <p>25 see that?</p>	<p>1 Sagarin 128</p> <p>2 could -- if MSN shopping would drop out, who uses</p> <p>3 Australian Gold as a search term, if Best Price</p> <p>4 Tanning would drop out, I can move up, you know.</p> <p>5 Everything changes. It's all variables,</p> <p>6 there's a lot of variables in here.</p> <p>7 Q Of course you're competing for</p> <p>8 Australian Gold with, you said, Best Price</p> <p>9 Tanning, that's one of your competitors?</p> <p>10 A Yes.</p> <p>11 Q So if you want to get listed ahead of</p> <p>12 them, you got to bid at least --</p> <p>13 A 47 cents. Actually, you would have to</p> <p>14 round it down. So I would have to pay 50 cents</p> <p>15 and then they would round it down to 47 cents.</p> <p>16 Actually, the closest time, excuse me.</p> <p>17 Q Does Google work essentially the same</p> <p>18 way?</p> <p>19 A Yes. Much more efficiently, though.</p> <p>20 Q Do you know what a Metatag is?</p> <p>21 A No.</p> <p>22 Q Have you had any discussions with</p> <p>23 Desktop Solutions or RFI about putting certain</p> <p>24 words in the HTML code of the computer?</p> <p>25 A Again, when we hired RFI Media, they</p>
<p>1 Sagarin 127</p> <p>2 A Yes.</p> <p>3 Q What does that mean, are you the fourth</p> <p>4 site shown? Are you going to be the fourth?</p> <p>5 A I believe so, yes.</p> <p>6 Q It says advertiser's max bid is 30</p> <p>7 cents, is that how much you're paying per click</p> <p>8 for Swedish Beauty, at least as of the date of</p> <p>9 this exhibit?</p> <p>10 A Yes.</p> <p>11 Q So if I type in Swedish Beauty and the</p> <p>12 THESUPPLENET.COM comes up fourth on my search</p> <p>13 list and I click on that link, me as an Internet</p> <p>14 user has just cost S&L Vitamins 30 cents?</p> <p>15 A Yes.</p> <p>16 Q Let's look at Exhibit 17. You're paying</p> <p>17 a little bit more for Australian Gold. Has that</p> <p>18 always been true, that you pay more per click for</p> <p>19 Australian Gold?</p> <p>20 A No. Compared to Designer Skin, is that</p> <p>21 your question?</p> <p>22 Q Well, than Swedish Beauty, was my</p> <p>23 question?</p> <p>24 A Excuse me, than Swedish Beauty. It</p> <p>25 changes from day-to-day, minute-to-minute. So it</p>	<p>1 Sagarin 129</p> <p>2 were fully aware of our litigation situation and</p> <p>3 they were told not to do anything. I did mention</p> <p>4 to RFI about no metatags for Australian Gold,</p> <p>5 Swedish Beauty.</p> <p>6 I don't know what a metatag is, though,</p> <p>7 but I know it's a legal issue. What Yahoo does,</p> <p>8 I don't know. Yahoo might do their own thing.</p> <p>9 Q When you designed your website or had it</p> <p>10 first designed, did you ask anyone to put in any</p> <p>11 key words related to tanning lotions --</p> <p>12 A No.</p> <p>13 Q -- in your source code?</p> <p>14 A No.</p> <p>15 Q Let me just show you this.</p> <p>16 MR. MATTHEWS: Could you mark this.</p> <p>17 (Sagarin Exhibit 1, document, marked for</p> <p>18 identification, as of this date.)</p> <p>19 Q I've handed you what's been marked as</p> <p>20 Sagarin Exhibit 1. Do you have any idea what any</p> <p>21 of this means on this page?</p> <p>22 A No, I do not.</p> <p>23 Q I will just represent to you for</p> <p>24 purposes of this question and you and your</p> <p>25 counsel can dispute it, but if you look at the</p>

33 (Pages 126 to 129)

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1	Sagarin	130	1	Sagarin	132
2	first part of this, and my contention is, this		2	lotions?	
3	represents a portion of your HTML source code as		3	A Sold a person their products.	
4	of April 19, 2004, 10:37 a.m.		4	Q Who was that person?	
5	And under the key words, there are the		5	A Michael Devlin.	
6	phrases, Australian Gold tanning, tanning		6	Q Was that for Mr. Devlin's business?	
7	lotions, indoor tanning lotions, Australian Gold		7	A I believe so.	
8	tanning lotions.		8	Q Were you aware of Mr. Devlin's website?	
9	A I see it.		9	A Currently, he runs a website, yes. I'm	
10	Q Do you have any idea where that content		10	aware of it now.	
11	came from?		11	Q That's SUNESENTIALSUK.COM?	
12	A No.		12	A Not anymore, no it isn't.	
13	Q Do you know what a key word is?		13	Q What's his new website?	
14	A On Overture, yes. On Overture.		14	A BODYSOURCEONLINE.COM.UK.	
15	Q What is a key word on Overture?		15	Q Is there any formal or informal	
16	A A key word is something that someone		16	relationship between your Body Source and the	
17	types in what they're looking for.		17	company that Mr. Devlin is running in the United	
18	Q Do you know if --		18	Kingdom?	
19	A I mean, Yahoo could have generated this.		19	A There is no agreement at all, just that	
20	Yahoo does a lot of things on their own to give		20	he's a customer.	
21	preferential treatment to their Yahoo store		21	Q Did you and Mr. Devlin have discussions	
22	customers. Yahoo could have done this on their		22	about him using your name in the United Kingdom?	
23	own. I don't know.		23	A He mentioned it. I said I didn't mind.	
24	Q Do you know if the words Australian Gold		24	Have fun.	
25	or Swedish Beauty are currently used in any HTML		25	Q Are you receiving any royalties or is	

1	Sagarin	131	1	Sagarin	133
2	source code today for any of S&L Vitamins's		2	there a licensing agreement for him to use your	
3	websites?		3	name?	
4	A No, I don't.		4	A No.	
5	MR. COLEMAN: Mr. Matthews, was your		5	Q Do you receive any revenues from his	
6	representation about this printout, was that		6	sale of products on the Internet?	
7	it was the source code for what page again?		7	A Do I receive any revenues?	
8	MR. MATTHEWS: For S&L Vitamins's		8	Q Yes.	
9	website.		9	A Ultimately, yes, because he reorders	
10	MR. COLEMAN: The entire website?		10	them from me.	
11	MR. MATTHEWS: Not the entire website.		11	Q S&L Vitamins is his supplier?	
12	Q Does S&L Vitamins do business outside of		12	A One of them.	
13	the United States?		13	Q But is there any profit-sharing like	
14	A Yes.		14	money coming back to you from sales he's made on	
15	Q What other countries do you do business		15	his Internet?	
16	in besides the United States?		16	A No.	
17	A Speaking of Australian Gold tanning		17	Q What products do you supply him	
18	lotions or speaking in general?		18	currently?	
19	Q I'm speaking about Australian Gold,		19	A Protein powder, supplements, creatine,	
20	Swedish Beauty tanning lotions?		20	fat burners. I do sell him self-tanning lotion,	
21	A United Kingdom, used to. Not anymore.		21	not Australian Gold, not Swedish Beauty.	
22	Q Anywhere else?		22	Q Why don't you sell him Australian Gold	
23	A No.		23	or Swedish Beauty?	
24	Q What business did you do in the United		24	A I think the lawyers over there got to	
25	Kingdom with respect to Australian Gold tanning		25	him.	

34 (Pages 130 to 133)

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<p>1 Sagarin 134</p> <p>2 Q Has he told you that he's not going to</p> <p>3 sell Australian Gold, Swedish Beauty on his</p> <p>4 website?</p> <p>5 A I think he entered into an agreement</p> <p>6 that he wouldn't and I don't think he will. I</p> <p>7 won't sell to him anymore anyway because I don't</p> <p>8 want to violate any agreements. I won't sell him</p> <p>9 those products anymore.</p> <p>10 Q I handed you what was marked as</p> <p>11 Mercadante Exhibit 19. Take a moment to look</p> <p>12 through it and then I want to go through these</p> <p>13 pages here.</p> <p>14 A Okay.</p> <p>15 Q What is the first page of this document?</p> <p>16 A I don't know.</p> <p>17 Q Is that something that S&L Vitamins</p> <p>18 prepared?</p> <p>19 A No.</p> <p>20 Q Is Body Source United Kingdom, Limited</p> <p>21 Mr. Devlin's company?</p> <p>22 A I believe so.</p> <p>23 Q Look at the second page. Have you seen</p> <p>24 that document before?</p> <p>25 A No.</p>	<p>1 Sagarin 136</p> <p>2 message saying the post doesn't exist or no page</p> <p>3 exists?</p> <p>4 A Correct.</p> <p>5 Q This invoice here, and I'll represent it</p> <p>6 looks like the pages are slipped on this exhibit,</p> <p>7 the following page may actually be the first</p> <p>8 page; does that look right?</p> <p>9 A Yes.</p> <p>10 Q Are you selling to Mr. Devlin at a</p> <p>11 discount than what you sell on the Internet?</p> <p>12 A Yes.</p> <p>13 Q What percentage of discount are you</p> <p>14 giving Mr. Devlin?</p> <p>15 A 50 off retail or 55. He constantly</p> <p>16 negotiates. So, I mean, it varies from time on</p> <p>17 time.</p> <p>18 Q So we take your retail price that's</p> <p>19 shown on your website and knock 55 percent off of</p> <p>20 it?</p> <p>21 A Sometimes 60.</p> <p>22 Q How did you get introduced to Mr. Devlin</p> <p>23 in the first instance?</p> <p>24 A He contacted us.</p> <p>25 Q He contacted you through the website?</p>
<p>1 Sagarin 135</p> <p>2 Q Turning to the third page, have you seen</p> <p>3 this page before?</p> <p>4 A It looks like, from what's on the top,</p> <p>5 it looks like an invoice.</p> <p>6 Q What is Source Pharmaceuticals?</p> <p>7 A A company that we manufacture a sexual</p> <p>8 enhancement product and a fat burner product.</p> <p>9 Q Is it a separate legal entity or is it</p> <p>10 under the S&L Vitamins?</p> <p>11 A It's a d/b/a under S&L Vitamins.</p> <p>12 Q Are there any other d/b/a's of S&L</p> <p>13 Vitamins's besides the Body Source and Source</p> <p>14 Pharmaceuticals?</p> <p>15 A Drills and Taps, I believe is a d/b/a.</p> <p>16 I'm not familiar with any others.</p> <p>17 THESUPPLENET.COM used to be.</p> <p>18 Q You still have the THESUPPLENET.COM</p> <p>19 website up and running, right?</p> <p>20 A No. It's just a forwarded link to Body</p> <p>21 Source. The URL does still work.</p> <p>22 Q That's what I meant?</p> <p>23 A Yes.</p> <p>24 Q So if I typed in THESUPPLENET.COM, I'll</p> <p>25 eventually get to Body Source, but I don't get a</p>	<p>1 Sagarin 137</p> <p>2 A E-mail and then phone.</p> <p>3 Q What is Autographs & More?</p> <p>4 A We bought a fax machine from the</p> <p>5 next-door neighbor that went out of business.</p> <p>6 That's the clue that gets you guys the win right</p> <p>7 there. I purchased a fax machine for \$50 that</p> <p>8 was going out of business.</p> <p>9 Q How many transactions were there between</p> <p>10 S&L Vitamins and Mr. Devlin?</p> <p>11 A In relation to the products?</p> <p>12 Q Yes.</p> <p>13 A Five, six, eight, seven.</p> <p>14 Q What was the volume of sales?</p> <p>15 A They're around \$7,000. I mean, he had a</p> <p>16 freight requirement. I gave him a deal on the</p> <p>17 freight for \$7,500, so I think he went for that</p> <p>18 every time, so I would estimate each one was</p> <p>19 around 7 grand.</p> <p>20 Q I only have an invoice for one</p> <p>21 transaction in May of '05. Did he order both</p> <p>22 Australian Gold and Swedish Beauty products?</p> <p>23 A Very little Swedish Beauty, mostly</p> <p>24 Australian Gold.</p> <p>25 Q This invoice I have here is dated May 1,</p>

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<p>1 Sagarin 138</p> <p>2 '05, what was the date of your first transaction</p> <p>3 with Mr. Devlin?</p> <p>4 A End of '04, beginning of '05.</p> <p>5 Q I assume at the time you first did</p> <p>6 business with Mr. Devlin, he was not doing</p> <p>7 business as Body Source United Kingdom?</p> <p>8 A No. It was Michael Devlin.</p> <p>9 Q I'm sorry?</p> <p>10 A It was Michael Devlin.</p> <p>11 Q So that discussion with him where he</p> <p>12 asked to use the Body Source name occurred</p> <p>13 sometime from that first conversation between</p> <p>14 then and May of 2005? I'm trying to figure out</p> <p>15 when he started using the name Body Source United</p> <p>16 Kingdom.</p> <p>17 A I don't know when he started using this</p> <p>18 name. I've never seen this invoice before, so I</p> <p>19 don't know when he started using it. I don't</p> <p>20 think we had a discussion until long after this</p> <p>21 invoice was produced to be perfectly honest with</p> <p>22 you.</p> <p>23 Q Look at the invoice on page 3 of 4.</p> <p>24 That's Source Pharmaceuticals's invoice?</p> <p>25 A Okay. Yes, Steven handles the invoices,</p>	<p>1 Sagarin 140</p> <p>2 customer ordered, amounts, total.</p> <p>3 Q My understanding in the order process,</p> <p>4 you actually receive some kind of order through</p> <p>5 your Yahoo software system, I guess, that</p> <p>6 operates your website?</p> <p>7 A I don't understand.</p> <p>8 Q How do you receive orders?</p> <p>9 A How do I know there's an order in the</p> <p>10 system?</p> <p>11 Q Yes.</p> <p>12 A E-mail.</p> <p>13 Q So you get an individual e-mail for each</p> <p>14 order?</p> <p>15 A Yes.</p> <p>16 Q How many orders a day do you get?</p> <p>17 A Depending the time of the year, 50 to</p> <p>18 150.</p> <p>19 Q Each one representing an order?</p> <p>20 A I hope so.</p> <p>21 Q Once you received the e-mail and you</p> <p>22 open it, what do you do to process the order?</p> <p>23 A Charge the customer.</p> <p>24 Q How do you charge the customer?</p> <p>25 A It's a gateway program on the Yahoo</p>
<p>1 Sagarin 139</p> <p>2 so I guess he must have talked to Steven about</p> <p>3 it.</p> <p>4 Q Are similar invoices sent to all your</p> <p>5 Internet customers?</p> <p>6 A No.</p> <p>7 Q Do they receive any invoice from you?</p> <p>8 A Yes.</p> <p>9 Q What does the invoice say at the top of</p> <p>10 the page?</p> <p>11 A On the very top?</p> <p>12 Q Well, let me just ask you this, how is</p> <p>13 the invoice different from the one that's shown</p> <p>14 here in Exhibit 19?</p> <p>15 A It's completely different, completely</p> <p>16 different. It looks like that.</p> <p>17 Q It looks like the first page of Exhibit</p> <p>18 19?</p> <p>19 A Similar.</p> <p>20 Q What's the name of the company listed on</p> <p>21 the invoice?</p> <p>22 A Body Source and it has a Yahoo order</p> <p>23 number and then it goes, instead of here would be</p> <p>24 the customer that's receiving the bill to</p> <p>25 address, the ship to address, the products the</p>	<p>1 Sagarin 141</p> <p>2 store, just click, press charge. Print the item,</p> <p>3 the invoice. Pull the order, pack the order,</p> <p>4 ship the order, print the shipping receipt.</p> <p>5 Q And UPS comes and picks the products up</p> <p>6 and takes them away?</p> <p>7 A Every day.</p> <p>8 Q How many hours a day do you guys spend</p> <p>9 packing orders?</p> <p>10 A Orders are being packed all day.</p> <p>11 Whether or not they're packed all at the same</p> <p>12 time, usually there's about a decent amount of</p> <p>13 orders when you walk in in the morning.</p> <p>14 The morning is done from about 11 to 2,</p> <p>15 11 to 1, possibly. And then possibly have lunch</p> <p>16 and then some orders can come in and then we'll</p> <p>17 pack the afternoon orders. I don't know how many</p> <p>18 hours, three maybe, four.</p> <p>19 Q What's turnaround time on processing the</p> <p>20 order?</p> <p>21 A One order?</p> <p>22 Q Yes.</p> <p>23 A It would take me as little as 30</p> <p>24 seconds.</p> <p>25 Q For all of the day's order, if I place</p>

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<p>1 Sagarin 142</p> <p>2 an order today, how soon will you have that</p> <p>3 processed?</p> <p>4 A Usually today. Usually the same day.</p> <p>5 MR. COLEMAN: Can we take five?</p> <p>6 MR. MATTHEWS: Yes.</p> <p>7 (A recess was taken.)</p> <p>8 Q I just want to show you Exhibit 20,</p> <p>9 which was the Yahoo small business merchant</p> <p>10 solution report that you printed up for</p> <p>11 Australian Gold.</p> <p>12 We are going to do this by letter today</p> <p>13 to your counsel, but I believe that this report</p> <p>14 would also or could also show Swedish Beauty and</p> <p>15 Caribbean Gold sales?</p> <p>16 A It should have been supplemented with</p> <p>17 that. It should have been and I'll follow up</p> <p>18 with that then.</p> <p>19 Q Okay. We'll get a letter to your</p> <p>20 counsel.</p> <p>21 A I know that Steven mentioned that we</p> <p>22 needed to supplement you with that. I will do</p> <p>23 that.</p> <p>24 Q Other than this Exhibit 20, is there any</p> <p>25 other document that S&L Vitamins keeps to track</p>	<p>1 Sagarin 144</p> <p>2 I hope to build the business someday and this is</p> <p>3 tough.</p> <p>4 Q Have you read Steve Mercadante's</p> <p>5 deposition?</p> <p>6 A I've seen it. I didn't read it. It</p> <p>7 showed up the other day. I didn't read it.</p> <p>8 Q Have you individually put any money into</p> <p>9 S&L Vitamins?</p> <p>10 A No.</p> <p>11 Q Has Laura Fanning made any additional</p> <p>12 capital contributions into S&L Vitamins?</p> <p>13 A No, not that I'm aware of.</p> <p>14 Q Would you be aware of such a thing, if</p> <p>15 that happened?</p> <p>16 A I should be. I hope I would be.</p> <p>17 Q You mentioned earlier in your</p> <p>18 deposition, some e-mails you had back and forth</p> <p>19 between Brad Grossman of Designer Skin and he</p> <p>20 somehow attributed some statements or made some</p> <p>21 statements about what Australian Gold would or</p> <p>22 would not do with respect to you.</p> <p>23 Can you tell me the circumstances under</p> <p>24 which you began communicating with Brad Grossman?</p> <p>25 A The circumstances?</p>
<p>1 Sagarin 143</p> <p>2 its sales of tanning lotions?</p> <p>3 A No.</p> <p>4 Q The Internet makes it pretty easy, does</p> <p>5 it, to track stuff?</p> <p>6 A It's beautiful. It's got it all right</p> <p>7 there.</p> <p>8 Q Are you receiving free supplements from</p> <p>9 S&L Vitamins today as part of your compensation?</p> <p>10 A If I choose to eat a candy bar off the</p> <p>11 shelf, a protein drink or a protein drink out of</p> <p>12 the cooler, I take it. If my wife wants a</p> <p>13 protein shake, I take it home for her.</p> <p>14 Q You're putting in an awful lot of effort</p> <p>15 into this business and I just want to make sure I</p> <p>16 understand any other perks or benefits that you</p> <p>17 might get.</p> <p>18 Other than taking candy bar off the</p> <p>19 shelf, is there any significant --</p> <p>20 A I have a small expense account that I</p> <p>21 buy lunch, and bought lunch today, paid for gas,</p> <p>22 occasional out to dinner. I have a car. It's a</p> <p>23 nice car. And that's it.</p> <p>24 I hope to build the business some day.</p> <p>25 We've been unable to take money for years, ever.</p>	<p>1 Sagarin 145</p> <p>2 Q Yes, why were you talking to him?</p> <p>3 A The lawsuit.</p> <p>4 Q Was it before your lawsuit with Designer</p> <p>5 Skin had been filed or after?</p> <p>6 A After.</p> <p>7 Q Did he call you or you called him?</p> <p>8 A He called me.</p> <p>9 Q What did he want?</p> <p>10 A To see how we can reconcile this and</p> <p>11 similar to the conversation that I had with</p> <p>12 Trevor Gray, no, no. Good-bye. And there was</p> <p>13 another contact. He actually offered me money to</p> <p>14 take it down. And I told him, no.</p> <p>15 Q How much did he offer you?</p> <p>16 A 5 grand. And I told him, I had a lot of</p> <p>17 inventory and I wasn't willing to let it go for 5</p> <p>18 grand. He wanted to buy back the inventory.</p> <p>19 Q Did you have followup communications</p> <p>20 after that initial call?</p> <p>21 A Yes.</p> <p>22 Q What were those?</p> <p>23 A E-mail.</p> <p>24 Q What were the substance of those</p> <p>25 e-mails?</p>

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<p>1 Sagarin 146</p> <p>2 A I politely rejected his offer of \$5,000.</p> <p>3 I referenced the fact that I was in litigation</p> <p>4 with Australian Gold and ETS and that if I settle</p> <p>5 with you, you guys would attack me like, forget</p> <p>6 it. So settlement is not an option here.</p> <p>7 And then his statement back to me was</p> <p>8 let me see if I can contact Leslie Hartley or, I</p> <p>9 think he used Leslie as a name in e-mail, if my</p> <p>10 memory serves me correct, if I can get them to</p> <p>11 cool their jets so to speak. And I just didn't</p> <p>12 even reply to that e-mail.</p> <p>13 Q He didn't promise you that he and Leslie</p> <p>14 had any understanding or agreement?</p> <p>15 A He didn't promise me anything. He</p> <p>16 insinuated that there was a relationship there</p> <p>17 that he might have some kind of control over</p> <p>18 Leslie. I don't know.</p> <p>19 Q Have any of your suppliers ever shown</p> <p>20 you a do not sell list?</p> <p>21 A No.</p> <p>22 Q Are you aware of a list that Australian</p> <p>23 Gold has referred to as the do not sell list?</p> <p>24 A Yes.</p> <p>25 Q How so?</p>	<p>1 Sagarin 148</p> <p>2 contained images of Australian Gold, Swedish</p> <p>3 Beauty products?</p> <p>4 A No.</p> <p>5 Q Does Body Source have any intention to</p> <p>6 put a tanning bed inside of its retail location?</p> <p>7 A No.</p> <p>8 Q You would agree with me that Body Source</p> <p>9 is not a tanning salon?</p> <p>10 A I would agree with you, yes.</p> <p>11 Q We served some interrogatories on you</p> <p>12 that you provided a response under oath. I just</p> <p>13 have a few followup questions. Mr. Stein sent</p> <p>14 Mr. Earley a letter providing some supplemental</p> <p>15 responses at the request from us.</p> <p>16 And one of the questions dealt with</p> <p>17 monetary damages that you have sustained. And</p> <p>18 one statement Mr. Stein made is plaintiff's</p> <p>19 business has been crippled with this litigation</p> <p>20 with its suppliers refusing do business with</p> <p>21 plaintiff as a result of Australian Gold's</p> <p>22 harassment of those suppliers.</p> <p>23 Two questions. First, what suppliers,</p> <p>24 if any, have refused to do business with S&L</p> <p>25 Vitamins?</p>
<p>1 Sagarin 147</p> <p>2 A TANTALK.COM.</p> <p>3 Q What is TANTALK.COM?</p> <p>4 A It's a message board for people who tan.</p> <p>5 Q Is it an industry-related board focused</p> <p>6 on tanning salons or the end users?</p> <p>7 A Both.</p> <p>8 Q What was said about the Australian Gold</p> <p>9 do not sell list on TANTALK.COM?</p> <p>10 A Nothing that I'm aware of. It was</p> <p>11 posted on there and that's how I obtained it.</p> <p>12 Q Was your name on there?</p> <p>13 A Yes.</p> <p>14 Q Do you know the date of the do not sell</p> <p>15 list?</p> <p>16 A No, I do not.</p> <p>17 Q Do you know what name appeared on there,</p> <p>18 was it S&L Vitamins or was it --</p> <p>19 A Body Source, my mother's name was on</p> <p>20 there surprisingly. I don't know why and</p> <p>21 actually the Miller Place store was on there. I</p> <p>22 don't know why.</p> <p>23 Q Helen Sagarin individually was on there?</p> <p>24 A Helen -- I think so. I believe so, yes.</p> <p>25 Q Have you ever received a disk that</p>	<p>1 Sagarin 149</p> <p>2 A No supplier.</p> <p>3 Q What facts do you have that would</p> <p>4 suggest that Australian Gold has harassed any of</p> <p>5 your suppliers?</p> <p>6 A Harassed, define harassed.</p> <p>7 Q It's Mr. Stein's words, so I don't even</p> <p>8 want to attempt to define it for him, but I just</p> <p>9 didn't know if you had any idea what that</p> <p>10 sentence meant.</p> <p>11 A It's inventory time. It's people, when</p> <p>12 they receive subpoenas. It intimidates people</p> <p>13 when they have to give depositions. I would</p> <p>14 define that as harassment.</p> <p>15 Q I'm going to put before you Exhibit 24,</p> <p>16 which is Australian Gold's standard</p> <p>17 distributorship agreement with its distributors.</p> <p>18 Have you seen this document or a</p> <p>19 document that may be substantially the same as</p> <p>20 this only with maybe a name inserted in the</p> <p>21 blanks?</p> <p>22 A I don't think so.</p> <p>23 Q Did you read the counterclaim that</p> <p>24 Australian Gold filed against S&L Vitamins in</p> <p>25 this lawsuit?</p>

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<p>1 Sagarin 150</p> <p>2 A Yes.</p> <p>3 Q When you first received the cease and</p> <p>4 desist letter from Ice Miller, there was some</p> <p>5 followup between counsel requesting a copy of the</p> <p>6 contract.</p> <p>7 Your testimony is, you didn't review a</p> <p>8 copy of Australian Gold's distributorship</p> <p>9 contract even back in 2004?</p> <p>10 A I had my attorneys review it for me.</p> <p>11 Q Without telling me what they did, but</p> <p>12 you had them explain to you what they thought the</p> <p>13 contract meant?</p> <p>14 A It was 2 years ago, probably.</p> <p>15 Q Is it your understanding that Australian</p> <p>16 Gold does not permit its distributors to sell to</p> <p>17 businesses that are not tanning salons?</p> <p>18 A Say that one more time, please.</p> <p>19 Q Are you aware that Australian Gold does</p> <p>20 not permit its distributors to sell to businesses</p> <p>21 that aren't tanning salons?</p> <p>22 A I don't believe that to be true.</p> <p>23 Q Why not?</p> <p>24 A They sell pretty much, their</p> <p>25 distributors are allowed to sell to anybody with</p>	<p>1 Sagarin 152</p> <p>2 Sheehan, John Tufarella and Dominic Bartone, all</p> <p>3 meet that criteria?</p> <p>4 A Yes.</p> <p>5 MR. COLEMAN: Object to the form of the</p> <p>6 question.</p> <p>7 Q Were you aware that Australian Gold has</p> <p>8 a provision in the contract that says that a</p> <p>9 customer would not be any person who sells to</p> <p>10 other resellers or buys on behalf of any other</p> <p>11 resellers?</p> <p>12 MR. COLEMAN: Object to the form of the</p> <p>13 question. If you want to put a date on it,</p> <p>14 my objection will evaporate. You said, were</p> <p>15 you aware. You mean, is he aware?</p> <p>16 Q As you sit here today, are you aware</p> <p>17 that Australian Gold does not consider a customer</p> <p>18 for purposes of its contract any person who sells</p> <p>19 to other resellers or buys on behalf of other</p> <p>20 resellers?</p> <p>21 A I'm not aware of it until now.</p> <p>22 Q Would you agree with me that Danny</p> <p>23 Sheehan and his tanning salon buy on your behalf?</p> <p>24 MR. COLEMAN: Object to the form. He's</p> <p>25 not an attorney.</p>
<p>1 Sagarin 151</p> <p>2 a tanning bed, aren't they? Hair salons, gyms.</p> <p>3 If a gymnasium 20,000 square feet, how big would</p> <p>4 a tanning room be? Well, it would be five</p> <p>5 tanning rooms in there with 1,000 square feet.</p> <p>6 So is it a gym or a tanning salon? You</p> <p>7 tell me. Well, a gym with tanning beds in it. A</p> <p>8 distributor would be allowed to sell to that.</p> <p>9 Q Look at paragraph 1.1(d). It says,</p> <p>10 customers of distributor. Distributor shall</p> <p>11 market or distribute products only to customers.</p> <p>12 And if you look at the next</p> <p>13 subparagraph, it says, for all purposes in this</p> <p>14 agreement, quote, customer, end quote, means only</p> <p>15 a person, A, whose primary business activity is</p> <p>16 operating a tanning salon or hair and beauty care</p> <p>17 salon, B, who offers approved indoor tanning and</p> <p>18 instruction on the use of the products as an</p> <p>19 on-premises service, and C, who obtains training</p> <p>20 and instruction on matters related to the use of</p> <p>21 the products from Australian Gold or one of</p> <p>22 Australian Gold's distributors.</p> <p>23 A I do see that.</p> <p>24 Q Do you believe that your suppliers from</p> <p>25 whom you bought the products, Yuca Tan and Danny</p>	<p>1 Sagarin 153</p> <p>2 Q You can answer.</p> <p>3 A I place orders with Danny. He gets the</p> <p>4 stuff. That's what he does.</p> <p>5 Q Is that also what Mr. Tufarella and</p> <p>6 Mr. Bartone do for you, as well?</p> <p>7 A Yes, they do that for me, as well. As</p> <p>8 do most of the retailers in this country.</p> <p>9 Q Other than the conversations that you've</p> <p>10 described for me in this deposition, have you had</p> <p>11 any other communications with Australian Gold?</p> <p>12 A Not that I'm -- no. No.</p> <p>13 MR. MATTHEWS: Let's take a quick break.</p> <p>14 (A recess was taken.)</p> <p>15 Q What happens if you and Mr. Mercadante</p> <p>16 disagree over a business decision, how is it</p> <p>17 resolved?</p> <p>18 A It's never happened.</p> <p>19 Q What are your plans if that happens?</p> <p>20 A Talk it out.</p> <p>21 Q What if Mr. Mercadante says, well, no</p> <p>22 disrespect, Mr. Sagarin, but you ain't an owner</p> <p>23 of this company and you're not an officer, it's</p> <p>24 not your decision, I'm going to make it?</p> <p>25 A Then we need to call Ron for another</p>

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1	Sagarin	154	1	Sagarin	156
2	reason.		2	A Pretty much.	
3	Q Are decisions supposed to be made		3	Q Why don't you have her pay you more and	
4	jointly, is that the intention?		4	you can quit S&L Vitamins, too?	
5	A That's the intention.		5	A Because there's not enough to go around.	
6	Q What role does your wife have on making		6	Q But seriously, you spent 6 years in this	
7	decisions, business decisions, such as products		7	business, S&L Vitamins and you've invested	
8	you're going to carry, different avenues you		8	\$15,000, and you've seen zero out of it?	
9	might pursue in your business, such as the		9	A Correct.	
10	Everlast deal that you testified to, what role		10	Q What's Helen Sagarin get in return for	
11	does she have?		11	paying you \$48,000?	
12	A None.		12	A In case she's sick, I get to fill in for	
13	Q And you and Mr. Mercadante never had a		13	her, not much.	
14	disagreement concerning the sale of tanning		14	Q Do you know how much she takes out of	
15	lotion?		15	her company, are you making more than she does?	
16	A No.		16	A I have no idea what she makes.	
17	Q Was a decision to file lawsuits against		17	Q When is the last date you worked for	
18	Australian Gold and Designer Skin made jointly		18	Helen Sagarin's company?	
19	between the two of you?		19	A I fill in all the time over there.	
20	A Probably more me.		20	Q Has S&L Vitamins reported all its income	
21	Q And he just went along with your		21	on its tax returns?	
22	decision?		22	A It should.	
23	A Correct.		23	Q Is the same true for you individually?	
24	Q I believe you told me earlier that Laura		24	A Correct.	
25	Fanning hasn't taken any money out of the		25	Q What do you do with your time in the off	

1	Sagarin	155	1	Sagarin	157
2	corporation?		2	season when you're outside of S&L Vitamins?	
3	A That's correct.		3	A Fish, box, run, play with my kids.	
4	Q So the \$15,000 she has invested, she's		4	MR. MATTHEWS: I have nothing further.	
5	received zero return on that investment?		5	(Time noted: 2:15 p.m.)	
6	A That's correct.		6		
7	Q And you've received a car, correct?		7		
8	A I receive a car, payment for the car.		8		
9	Q Why are you working for free,		9		
10	essentially?		10		
11	A To build -- sweat equity. I don't work		11		
12	for free. I work for \$48,000 a year.		12		
13	Q That's paid by Helen Sagarin, right?		13		
14	A Correct.		14		
15	Q What do you do for Helen Sagarin for		15		
16	\$48,000 a year?		16		
17	A Not much.		17		
18	Q Why is she paying you?		18		
19	A Because I'm her son.		19		
20	Q You get paid for being her son?		20		
21	A Yes.		21		
22	Q Not working?		22		
23	A Not much. Not much there. Stock the		23		
24	shelves, fill in.		24		
25	Q Mom, just pay me?		25		

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<p>1 Sagarin 158</p> <p>2 ACKNOWLEDGEMENT</p> <p>3 STATE OF NEW YORK)</p> <p>4 COUNTY OF NEW YORK)</p> <p>5</p> <p>6 I, LARRY SAGARIN, hereby certify, I have</p> <p>7 read the transcript of my testimony taken under</p> <p>8 oath in my deposition of March 30, 2006; that the</p> <p>9 transcript is a true, complete and correct record</p> <p>10 of what was asked, answered and said during this</p> <p>11 deposition, and that the answers on the record as</p> <p>12 given by me are true and correct.</p> <p>13</p> <p>14</p> <p>15 _____</p> <p>16 LARRY SAGARIN</p> <p>17 Subscribed and sworn to before me</p> <p>18 this _____ day of _____, 2006.</p> <p>19 _____</p> <p>20 NOTARY PUBLIC</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p>1 160</p> <p>2 INDEX TO TESTIMONY</p> <p>3 Page Line</p> <p>4 Examination by Mr. Matthews 5 9</p> <p>5</p> <p>6</p> <p>7</p> <p>8 INDEX TO SAGARIN EXHIBITS</p> <p>9 (Attached)</p> <p>10 Description Page Line</p> <p>11 Sagarin Exhibit 1, document, 129 17</p> <p>12 marked for identification</p> <p>13</p> <p>14</p> <p>15 INDEX TO RULINGS</p> <p>16 Page Line</p> <p>17 Did the charges have 29 19</p> <p>18 anything to do with</p> <p>19 possession or distribution</p> <p>20 of drugs or illegal</p> <p>21 substances?</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>
<p>1 Sagarin 159</p> <p>2 CERTIFICATE</p> <p>3</p> <p>4 STATE OF NEW YORK)</p> <p>5 COUNTY OF NEW YORK)</p> <p>6</p> <p>7 I, MICHELE ROSSI, a Registered Professional</p> <p>8 Reporter and Notary Public within and for the</p> <p>9 State of New York, do hereby certify:</p> <p>10 That, LARRY SAGARIN, the witness whose</p> <p>11 deposition is hereinbefore set forth, was duly</p> <p>12 sworn by me and that such deposition is a true</p> <p>13 record of the testimony given by said witness.</p> <p>14 I further certify that I am not related to</p> <p>15 any of the parties to this action by blood or</p> <p>16 marriage and that I am in no way interested in</p> <p>17 the outcome of this matter.</p> <p>18 In witness, whereof, I have hereunto set my</p> <p>19 hand this 21st day of April, 2006.</p> <p>20</p> <p>21 _____</p> <p>22 MICHELE ROSSI, R.P.R.</p> <p>23</p> <p>24</p> <p>25</p>	<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>6</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>

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